

Growth Opportunities

*The Benefits Canada Survey of
Capital Accumulation Plan Members*



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Welcome to our 5th Annual Survey of CAP Members

Capital accumulation plan (CAP) members recently faced the worst global financial crisis since the Depression. And this recession severely impacted their retirement savings. Now that the economy is recovering, the question is where do they—and the CAP industry as a whole—go from here?

Did members shift in their attitudes toward retirement and retirement savings? Do CAP members have a better understanding of how much they really need to retire? Are they more aware of the risks of investing and how to mitigate them? After surviving such a turbulent period, are they more inclined to pay attention to their investments or has the market volatility only served to heighten their disengagement?

To answer these questions and others, *Benefits Canada* undertook its fifth annual comprehensive survey of more than 1,200 CAP members across the country. This year, we also spoke with approximately 100 non-participants to get their views on specific topics. The resulting data were then used to spur a lively round-table discussion of

experts who had the challenge of translating the information into what this means for plan sponsors and the larger industry.

What is revealed in the following pages is an eye-opening look at how members behave when it comes to contributing—or not contributing—to their plans; their understanding of their financial picture, including whom they turn to for financial advice; the role and value members place on their employer-sponsored retirement plans; and their expectations for a comfortable retirement and how to get there.

While the panelists offered some key areas where the industry should continue to grow, in addition to where it should break new ground, there was an overall message: despite the complexity of designing, communicating and administering a retirement plan, employers do their best when they keep it simple for their employees.

Alison Wood
Editor, *Benefits Canada*

ATTENDEES



PHOTOS BY JOHNNY LAM

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“The question isn’t at what age I want to retire, it’s at what income.”

– George Foreman

SECTION 1:

Member Behaviour

With the economy still hovering in recovery mode, it’s no surprise that many members of employer-sponsored capital accumulation plans (CAPs) remain cautious and worried about their financial future. But the fifth annual *CAP Member Survey* also shows that, despite tremendous efforts to engage and educate plan members, a great number seem disconnected when it comes to their pensions and retirement plans. For plan sponsors, such results may suggest that a new approach—and a little more hand holding—is needed to help employees understand and prepare for the future.

Hard times alter behaviour

This year’s survey once again asked plan members how the recent economic environment had affected them personally when it comes to saving, spending or investing. In 2009, fully half (50%) of those surveyed said they had not changed their saving, spending or investing behaviour because of the economic environment. But what a difference a year makes—in 2010, only 20% hadn’t made any changes. This year, 40% are spending less, 32% are planning and/or budgeting more, 19% are paying more attention and 15% are making less risky investments. Hard times have also led 22% to save more, although 15% report saving less.

Anna Del Balso, director of strategy and research, group savings and retirement, with Standard Life, puts a positive spin on these results, noting that it’s a good thing that people are spending less, saving more and being more cautious and prudent. “In 2008, everyone was scared to death,” she says. “In 2009, they froze and assessed the situation, and then this year they took action.” Younger plan members (30%) were more likely than their older counterparts (19%) to be saving more, while those in the pre-retirement years ages 55 to 64 (26%) were paying more attention to their investments compared

with younger members (17%). While these are good trends, Del Balso notes that “it is concerning that, although women are planning more, they are saving less.” The survey found that 18% of women are saving less, compared with 12% of men.

Still, when it comes to members’ behaviour related to retirement savings plans, few have it on their radar. In fact, despite a large amount of press coverage in recent months, only 21% of those surveyed admitted to reading, seeing or hearing anything recently regarding pensions and/or rules and regulations regarding pensions. Younger members ages 18 to 34 and those in the traditional pre-retirement ages of 55 to 64 were more likely than their middle-aged cohorts (25%, 26% and 16%, respectively).

Of more immediate concern to sponsors is the finding that only 17% of plan participants said they maximize the company match in their employee retirement plan. Just 15% of members surveyed this year increased the amount they contribute—a notable decrease from 24% in 2009 and 34% in 2007. A scant 12% said they had changed their investment options or rebalanced their investment mix, down from 30% the previous year. Two bright spots: fewer (8%) made a withdrawal from their employee retirement plan this year compared with 13% in 2009, and only 6% decreased the amount they contribute this year compared with 14% in 2009.

Those who took at least one action such as increasing and/or decreasing their plan contributions, changing the investment mix or withdrawing funds are defined as “active plan investors.” This group made up 32% of plan participants in this year’s survey. The vast majority (78%) of this “active” group said they were satisfied with the overall results of their actions regarding their investments in the last two years.



“In 2008, everyone was scared to death. In 2009, they froze and assessed the situation, and then this year they took action.”

Anna Del Balso, Standard Life



“We need to reach members when times are very good and when times are very bad and get them to understand that investing is a discipline.”

Peter C. Arnold,
Buck Consultants



“All recordkeepers have invested a tremendous amount of effort and time and money into making members’ statements more of an educational piece.... But if only 35% of members actually take a look at their statements when it really takes no effort to do so, what does it mean? This is a worrisome statistic to me.”

Brett Marchand,
Manulife Financial

dropped to 35% in 2010. “All recordkeepers have invested a tremendous amount of effort and time and money into making members’ statements more of an educational piece by telling the story on the first page for members who don’t typically go further than that,” he says. “But if only 35% of members actually take a look at their statements when it really takes no effort to do so, what does it mean? This is a worrisome statistic to me.”

And it’s not as if they are going online instead: fewer members this year said they went to a website to review their account balance or other retirement information (31% versus 45% in 2009). “I think a lot of members think they have no control over the situation and they are giving up,” suggests Janice Holman, a principal and leader of the DC consulting group at Eckler Ltd. “Even though they may have had best efforts in the past, the financial world and the markets blew up on them. I think they are becoming more disengaged. They feel overwhelmed and not sure what to do at this point in time.”

Yet, although fewer members seem to be using tools and information provided by their employer, 20% said they consulted their personal financial advisor regarding their employer-sponsored retirement plan. And, similar to previous years, the 2010 survey shows 32% of plan members checking on their investments more often, 60% about the same and 9% less often.

Encourage greater contributions

Getting plan members to maximize their plan contributions is an ongoing challenge for sponsors and this year’s survey asked participants what prevents them from saving more. General living expenses was the top reason (58%), followed by “currently just getting by financially” (34%), credit card debt (25%), mortgage payments (24%) and “not a priority at this time” (13%). Women are far more likely than

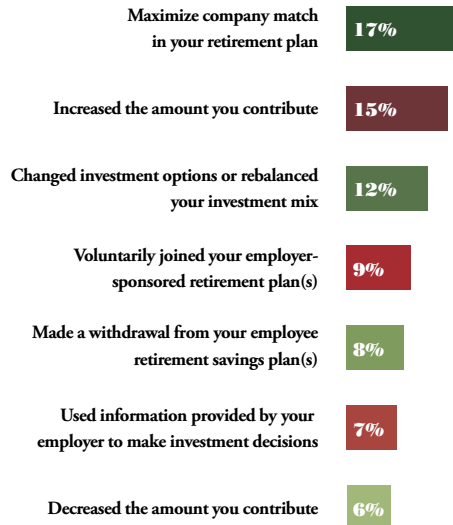
Reading the fine print

A particularly unsettling finding this year is the large drop in the number of members who said they used information provided by their employer to make investment decisions: it declined to 7% from 25% in 2009. “Last year, it would have made more sense to me because people were probably riding the market out,” says Virginia Alderman, marketing communications director, group savings and retirement solutions, with Manulife Financial. “But the result struck me this year as a bit dramatic.”

Another surprising result, notes Brett Marchand, vice-president, corporate accounts, with Manulife Financial, is the marked decline in the number who review the retirement investment statements provided by their company. In 2008, 72% said they looked at their statements, but that number dipped to 62% in 2009 and then

CHANGES IN YOUR EMPLOYEE RETIREMENT PLAN

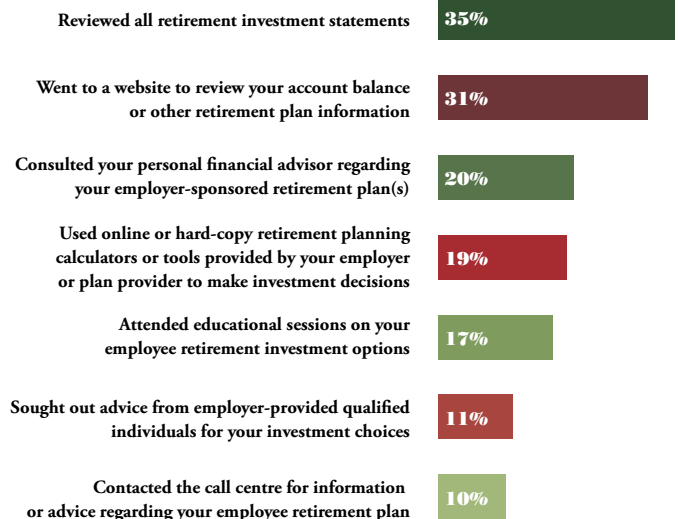
Have you done any of the following with your employee retirement plan(s) within the past year?



54% report not doing any of these

USE OF PLAN TOOLS AND SERVICES

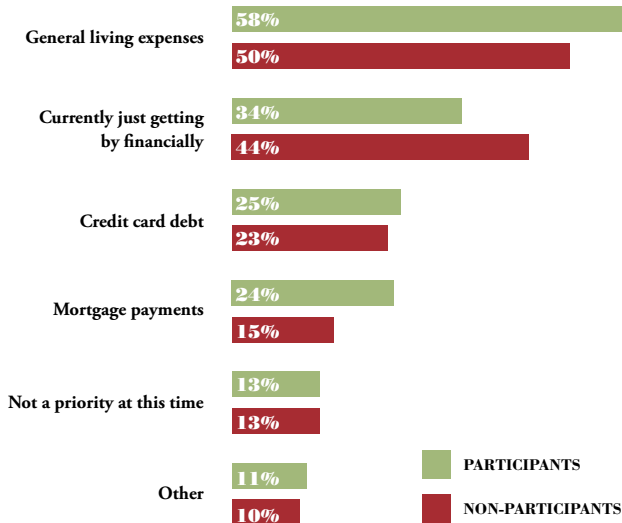
Most companies provide various services and tools around their employee retirement plan(s). Have you done any of the following with your employee retirement plan(s) within the past year?



34% report not doing any of these

BARRIERS TO SAVING

Generally, what prevents you from saving more?



Both participants and non-participants cite a **lack of financial means** as the main *barrier to saving more*.

their male counterparts to report not saving because of general living expenses (62% versus 56%), “just getting by” (40% versus 29%) and credit card debt (32% versus 19%). Credit card debt is a bigger issue for younger plan members (31%) than for those between 35 and 54 (24%).

For the first time, this year’s survey also asked non-plan members why they don’t participate in their employer’s defined contribution (DC) or group RRSP. The top reasons? Financial constraints (16%), already contribute to plans from other institutions (10%), currently ineligible (7%) and not interested (6%).



“Last year, [using information provided by their employers to make investment decisions] would have made more sense to me because people were probably riding the market out. But the result struck me this year as a bit dramatic.”

Virginia Alderman,
Manulife Financial

“A number of families are facing a real crisis just going from paycheque to paycheque,” says Alain Malaket, senior director, pensions and investments, with George Weston Ltd./Loblaw Companies Ltd. “But for most people, they just can’t afford not to participate in their company’s retirement plan. By not participating in the pension plan they are leaving money on the table and not maximizing their potential savings. It is a balance or trade-off between current consumption and future savings—in some cases, the cost of joining the pension plan is similar to the cost of a cup of coffee every morning. We often explain in employee sessions that the automatic payroll deductions simplify the process—it provides immediate tax advantages and you seem to miss the contributions less when they come directly off the paycheques. It’s a choice, and that’s something we need to push more on the education side.”

Peter C. Arnold, national practice leader, investment and CAP consulting, for Buck Consultants, agrees that the industry could do a better job educating people, especially younger employees, about the importance of getting into the retirement plan early, maximizing contributions and minimizing withdrawals. “We need to reach members when times are very good and when times are very bad and get them to understand that investing is a discipline. The issue of mandatory versus voluntary participation in the plan is something else we need to consider, since I think we all accept that if something is mandatory it is going to have a better result.”

Action Steps

- Keep services and tools simple and easy to access but find ways to address the needs of specific groups such as younger employees and women.
- Since members don’t usually miss pension contributions once they start coming off paycheques, allow new employees immediate eligibility or target employees on annual salary increases.
- Consider implementing features such as mandatory participation, target date funds (TDFs) and auto-escalations to make it more likely that people will join the plan, maximize their savings and meet their retirement goals.
- Help members to figure out how much they will need to replace their income in retirement and how short they will be if they don’t save enough.
- Use re-enrollment to get members into TDFs, since it is a lot easier for some people to decide on the date they plan to retire than to decide on an investment fund.



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Alain Malaket,
George Weston Ltd./Loblaw
Companies Ltd.

“Many receive advice, only the wise profit from it.”

– Publilius Syrus

SECTION 2:

Financial Advice & Planning

Each year, the *CAP Member Survey* asks plan participants questions about financial advice and financial planning, and every year, the general conclusion from our Advisory Board is that there is a disconnect between an indicated awareness and action.

The data provided by respondents in 2010 still don't support reality, says Janice Holman, a principal with Eckler Ltd. “Last year, they had the reality check with the markets. It's obvious that communications are not getting through since there are a lot of discrepancies in how plan members are answering the questions. A lot of work still needs to be done to get them to understand the link between ongoing plan contributions and the amount they will have at retirement.”

Seeking advice on debt and investments

Of positive note this year is a growing trend toward seeking professional financial advice. “One of the statements that accompanies most communication messages is that members should speak with an independent financial advisor regarding their own individual circumstances whenever necessary,” says Todd Nelson, a consultant with Towers Watson. “Data from the survey reveal that members appear to be receiving this message and understand that advice is an important element to the success of their overall savings outcomes.”

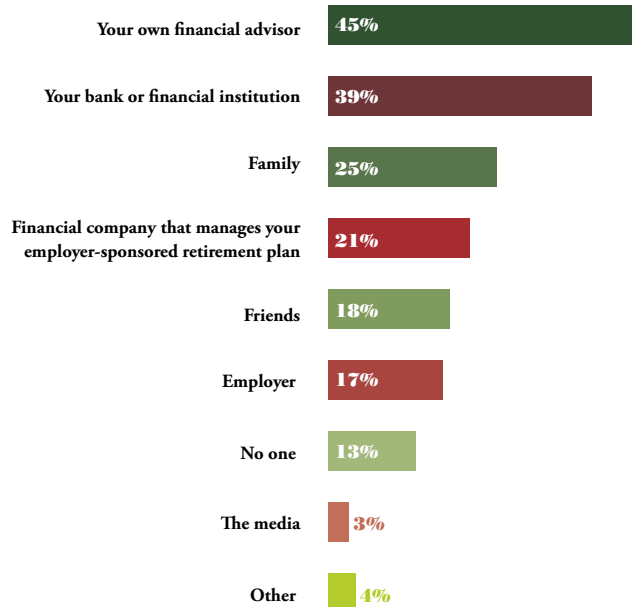
Although nearly half (47%) of plan members in 2009 said they didn't turn to anyone for financial advice, that number has dropped to 15% in 2010. The vast majority prefer to go to their bank or financial institution (39%) or to their own financial advisor (31%). Family (29%) and friends (19%) also remain top sources of financial advice, with women more likely than men to look to family (34% versus 26%). Pre-retirement age members (41%) are more apt to turn to a financial advisor first, while young plan members (51%) are far more inclined to turn to family initially. Despite a seemingly greater demand for advice, only 7% of plan members turn to their employers first for that advice.

“Employers may need to think about how important advice is becoming for members in a different way,” says Ramona Robinson, vice-president, investments and product pricing, with Great-West Life. “They're not turning to their own employers first for financial advice and retirement planning, but maybe that's because they want to take a more holistic approach to managing their own financial health.”

Retirement planning (50%) is the most commonly sought type of advice, particularly by those over age 35 (53%). Younger members are more likely to want advice on real estate and mortgages (42% among 18- to 34-year-olds versus 11% for those ages 55 to 64) and on debt and credit management (34% for younger compared with 11% for older). “Competition for cash among young employees is

TRANSITIONING INTO RETIREMENT

To whom do you look or will you look for advice when transitioning into retirement?
(among plan participants age 45 or older)



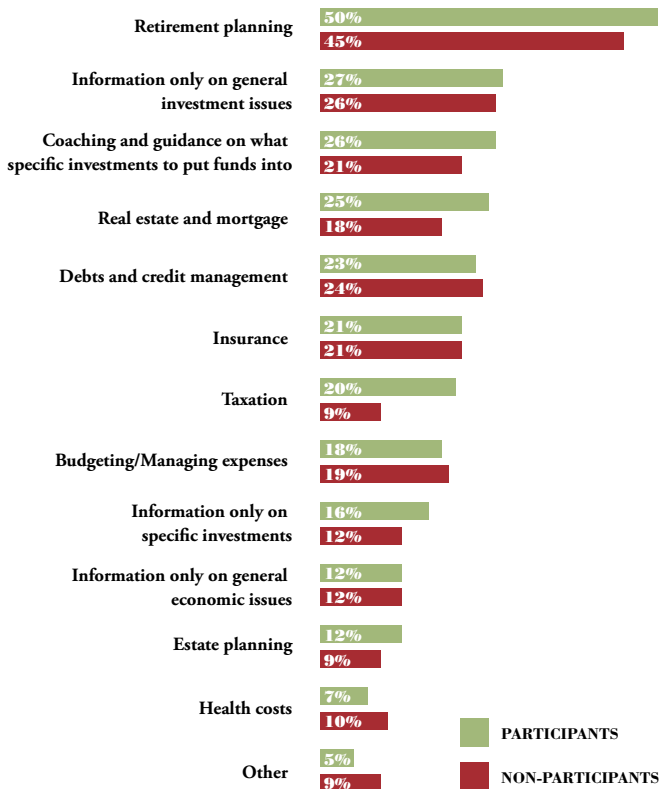
Information on retirement planning will come from **the same sources as other financial advice, except for a significant role for plan management companies.**

While both men and women members are equally likely, statistically, to turn first to their own advisor and their bank, women are more likely to indicate they would look to family than are men (34% versus 19%, respectively).

In the same way, there is little difference across age groups regarding to whom they would look for advice when transitioning into retirement. However, those 45 to 54 are more likely to say they would look to the financial company that manages their employer-sponsored retirement plan for advice, than those 55 to 64 (24% versus 16%, respectively).

TYPES OF FINANCIAL ADVICE NEEDED

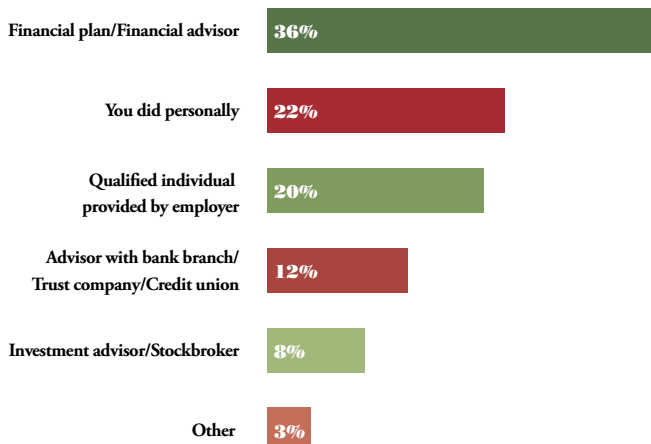
What sort of financial advice are you seeking?



Information on retirement planning is sought *most often*, but many other types of financial advice are needed. Participants and Non-participants are very similar in this regard.

FINANCIAL PLAN

For those with a formal written financial plan, who wrote it up?



evident in the survey data, as most participants in this cohort are primarily concerned with debt management,” notes Nelson. “If they do seek financial advice, it’s not ‘How much do I need for my retirement?’ but rather ‘How am I going to manage my debts today and get ahead in the short term?’”

“The really young cohort, say 18 to 30, has a very different mind frame,” adds Holman. “They expect to have multiple employers, so I think they are going to be a little less reliant on the employer and more reliant on themselves. While they are struggling through debt management, they are also trying to understand the retirement concept. The people approaching retirement are certainly engaged and trying to figure out how to retire, but I think the middle cohort presents the biggest risk. They have skewed perceptions of what they need and where they are going to get it. And maybe they still have the legacy that ‘The employer is going to provide it for me.’”

Interestingly, although retirement may not seem top of mind for a large group of plan members, the vast majority (79%) agree that it is important to have access to a financial advisor who knows and understands their employer-sponsored retirement plan.

You need a target to shoot straight

While it’s encouraging to see so many plan members seeking out financial advice, a huge disconnect remains when it comes to financial planning. A sizable majority (77%) of respondents this year agree that the shakeup in the financial markets during the last couple of years has made them more aware of the need to save and invest for retirement. However, the data show that not as many members are actually doing what is necessary.

For example, the amount plan members contribute to their employee retirement plans and the amount they say their employer contributes have steadily declined since 2007. This year, the average employee contribution was 4.9% of their salary (versus 7.3% in 2007), and the average employer contribution was 4.7% (versus 6.2% in 2007). “Recent market conditions may have triggered a renewed focus on investments and pensions, but declining employee contribution rates show apathy where members appear to be throwing in the towel instead of remaining committed to a long-term target savings outcome,” says Nelson. “A period of market declines is probably the least appropriate time to reduce or stop contributing, but I’m not sure how many CAP participants understand this or realize how the combination of market declines and lower contribution rates will affect their ability to reach retirement goals and result in delayed retirements, reduction in retirement income or both.”

Another strong sign of disconnect is that only 26% of members have a formal written financial plan that outlines the age at which they



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Ramona Robinson,
Great-West Life

plan to retire and the amount of money they will need. That represents a significant drop from 46% in 2007. “You are more likely to achieve your desired retirement outcome if you at least have a meaningful and measurable target and a plan for how to get there,” says Nelson. “Members without a formal retirement outcome target will not know how to monitor progress and will, therefore, not be equipped to make the decisions they need to during the accumulation period about whether contribution levels in their current state are going to be sufficient to get that target in the end.”

Thirty-six percent of those with a plan say it was written by a financial planner or advisor, while 20% indicate their plan was created by a qualified individual provided by an employer, 12% by an advisor with a financial institution and 8% by an investment advisor or stockbroker. Whether a good or bad sign considering how many people rely on family and friends for financial advice, 22% of plan members say they wrote their own financial plan.

Despite all of the work and advancements in member education, communication and tools provided to capital accumulation plan members, “something is out of whack,” says Robinson. “Even some of those with a formal written financial plan have unexpected rates of return, and that may show that even when members are provided with information, they may still not really understand the longer-term perspective of their decisions.”

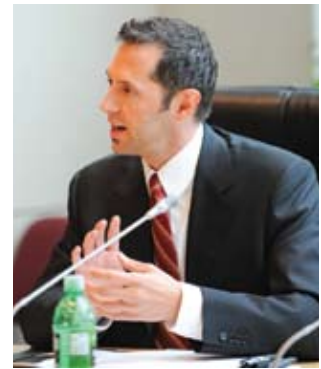
As in previous years, those with a written financial plan were asked about the age at which they will retire, the amount of money they will have saved in order to retire and the rate of return they are expecting on their investments year over year. And again, plan member expectations seem overly optimistic. In 2010, members expect to retire at an average age of 60.9 years old, have approximately \$1.3 million saved for their retirement and enjoy average rates of return of 20.6% on their investments year over year. (The median

response was a more reasonable 8.0% year over year.)

Almost three-quarters (73%) of members with a formal written plan said they are currently on track to meet their target for rate of return. Almost nine in 10 (86%) believe they are on track for the age they will retire, while just over two-thirds (68%) say they are on track for the amount they need to save. Women are more cautious: 27% say they are not on track to save the amount of money they need to retire, compared with 17% of men.

The data show huge differences in how men and women approach investing for retirement. “Men are more assertive and confident and seem to think they’ve got it under control. They are also more likely to seek professional help instead of relying on family,” Holman points out. “On the other hand, women appear less confident. They are more worried, and they don’t think they are going to get to their goals. Yet they aren’t really seeking help from professionals; they are going to family. So there is a big difference in their views, and I think targeting communication can help with that.”

Discrepancies between different demographic groups’ awareness and attitudes also indicate a need for segmented retirement planning information, says Stephen McGregor, business development manager, national accounts, with Desjardins Financial Security. “Plan sponsors should ask themselves and their providers what they are specifically going to do for younger employees. I think we are missing a key opportunity to engage participants early in their careers so that when they pass that magic threshold of age 45 and become pre-retirees, they understand what they need to do. Perhaps it’s time to start pushing the concept of income adequacy in retirement as opposed to looking at where you are today.”



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Janice Holman, Eckler Ltd.

Action Steps

- Rather than talking about retirement savings, talk about wealth accumulation and income adequacy. Get members to set targets and understand how contributing to the plan will help them meet that target.
- Survey your employee population and segment education and communication to reach various demographic groups (age, gender) or levels of understanding.
- Be aware of cultural differences that may have an impact on how some employees approach retirement savings.
- Encourage members to maximize contributions by explaining that an employer’s matching contributions represent a 100% return on the member’s investment.
- As an employer, think about whether you want your members to come to you for financial advice or whether you should send employees to a third party for that advice.

“An investment in knowledge always pays the best interest.”

– Benjamin Franklin

SECTION 3:

Satisfaction & Understanding

Employers that sponsor retirement plans for their employees will be relieved to know that the majority of respondents to this year's *CAP Member Survey* expressed fairly high levels of satisfaction with their plans. Where it appears work still needs to be done, however, is in building knowledge around the value of these programs.

Positive outlook

While it's true that satisfaction rates displayed by plan members this year lags behind levels seen in prior years, for the most part, participants still think positively about their employer-sponsored retirement plans. “I think as an industry we've been doing a better job of selling the retirement program as part of the overall compensation package,” says Brett Marchand, vice-president, corporate accounts, with Manulife Financial. “But we have to continue to help sponsors get the message out to ensure that employees see the value of these programs.”

More than two-thirds (68%) of members continue to think of their employer more positively because of the retirement plan and other benefits offered as part of their compensation package. The result is similar to 2009 but remains below that found in 2008, when 82% agreed. It's interesting that plan members who said they have an excellent understanding of their plan are more likely than those with “poor” or “no understanding” to think positively of their employer due to their retirement and benefits packages (76% compared with 59%). As well, women (72%) and younger plan members (72%) are more likely to agree than men (65%) or older cohorts (66%).

Considering that portability is one of the big reasons for introducing defined contribution plans, it is perhaps surprising that nearly six in 10 (56%) participants would be reluctant to leave their employer because

of the retirement plan and other benefits. Members' responses to this question have been consistent since 2006 (ranging between 55% and 59%). Again, women (61%) are more likely than men (53%) to agree. Interestingly, those with poor or no understanding of their retirement plans (59%) are significantly more apt to agree than those with an “excellent” understanding (48%), possibly indicating that employees highly value their plans, even if they don't understand them well.

When asked specifically how satisfied they are with their employee retirement plan, an overwhelming 83% said they are “very” or “somewhat” satisfied. While that's lower than satisfaction levels seen in 2007 (88%) and 2008 (88%), it's a slight bump up from 81% last year. The intensity of satisfaction has also increased, with the very satisfied group rising to 30% in 2010 from 25% in 2009.

Rebounding satisfaction levels are also apparent regarding the performance of investments in employee retirement plans. Nearly three-quarters (74%) expressed satisfaction this year, up from 2009 (69%). What criteria do members use to determine their level of satisfaction? Nearly six in 10 (56%) are happy that the company contributes to the plan. Almost half (45%) are satisfied to have a plan at all or because the plan seems secure. About four in 10 (41%) base their satisfaction on having a good plan overall, and 33% indicate it is a well-managed plan. Only 29% base their satisfaction on the rate of return on investments, while the same number are satisfied because of their personal contribution amounts (29%). Slightly fewer (28%) link their satisfaction to the plan's flexibility (28%) or how much information is provided (28%). Twenty percent say the company could contribute more to the plan, while 19% like the investment options offered.



“We need to ensure that the purpose of the plan is defined for, communicated to and understood by members so that members have a proper expectation of what they will receive at retirement. Too many plan members may see the plan as a full solution to their retirement needs.”

Peter Henry,
Proteus

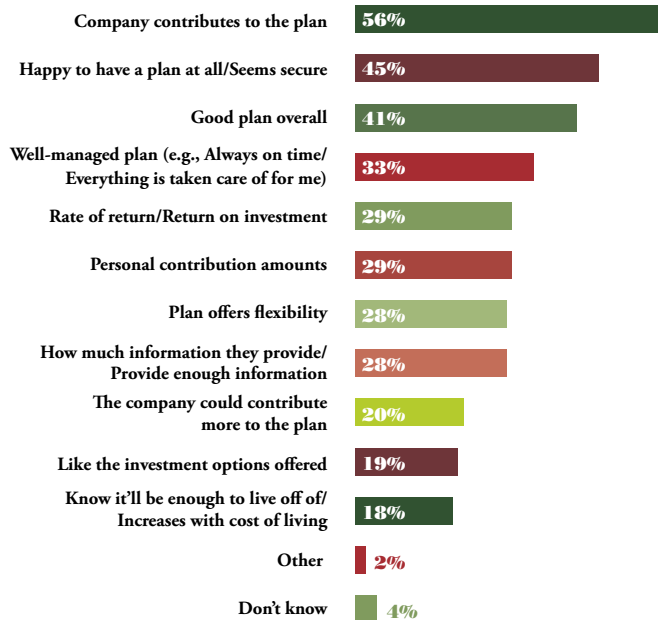


“We need to shift away from just giving members their plan statements and providing them with website links and tools. We really need to reach out and help plan members understand what they need to do.”

Patti Hamilton,
Maple Foods

CRITERIA FOR PLAN SATISFACTION

You mentioned that you are very/somewhat satisfied. What criteria or factors are you taking into consideration when you said how satisfied you are with your plan?



One troubling finding is that just under one-fifth (18%) are satisfied with the plan because they know that it will be enough to live off of and that it increases with the cost of living. "It's a bit alarming that nearly one in five believe the plan is going to be enough to live off and, accompanied by that, it is going to be indexed," says Peter Henry, president of Proteus. "We need to ensure that the purpose of the plan is defined for, communicated to and understood by members so that members have a proper expectation of what they will receive at retirement. Too many plan members may see the plan as a full solution to their retirement needs."

Such high levels of satisfaction are puzzling to Patti Hamilton, director, pension and benefits plans, with Maple Foods, especially considering that 42% of plan participants report that the value of their employee retirement savings plan decreased in 2010 and 11% said they don't even know what happened to the value. "I don't understand why satisfaction levels didn't fall and why so many people are confident that they will meet their retirement objectives," she says. "We need to shift away from just giving members their plan statements and providing them with website links and tools. We really need to reach out and help plan members understand what they need to do."

Nearly two-thirds (64%) of plan participants also said they are confident that their employer-sponsored retirement plan will provide the amount of money they need in order for them to meet their financial objectives for retirement. Young plan members (72%) are significantly more likely than older members (59%) to believe this is the case.

"This degree of confidence is surprising when we know that only 35% of members are viewing their member statements, so I wonder how they know whether or not they are on track," says Marchand. "I think members are unfortunately optimistic by nature and really don't want to deal with the grim reality of retirement adequacy at some point in the future."

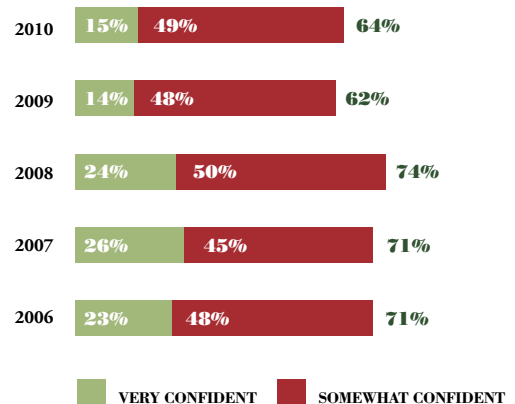
Understanding lags behind satisfaction

Despite members' optimism, the number of people who believe they have a good comprehension of basic investment concepts remains woefully low. As in previous years, only 34% of survey respondents said they have an "excellent" or "very good" understanding of asset allocation. Men (42%) and members ages 55 to 64 (43%) are much more likely to have an excellent or very good understanding compared with women (23%) or members ages 18 to

Satisfaction is based primarily on *the simple existence of the plan* and the employer contributions. Plan specifics are mentioned less often.

CONFIDENCE THAT RETIREMENT PLAN WILL MEET NEEDS

How confident are you that the retirement plan(s) offered by your employer will provide the amount of money you need to meet your financial retirement objectives you require from your employer-sponsored retirement plan?



2/3s are confident their plan will *meet their needs*. Confidence has not recovered from declines seen in 2009.



“As an industry, we need to embrace that individuals are different and that there are differences in understanding and satisfaction between genders, ages and income levels.”

Karrina Dusablon,
Desjardins Financial Security

(39%). As with other questions related to understanding, this one, too, showed that men and older members reported a higher level of comprehension.

“These trends are worrisome to all of us,” notes Marchand. “We’ve been investing a lot of time and a lot of money to create new tools for members to give them a better understanding of risk tolerance. It makes me wonder if this persistent lack of understanding is going to lead to a real shift in focus, so the concentration is on choosing the right investment solutions rather than choosing specific investment management firms.”

As in prior years, respondents were asked to describe their own investment risk tolerance, and the numbers haven’t changed much.

34 (28%). “Asset allocation is a very confusing term for members,” Henry points out. “This survey finding should confirm to plan sponsors that you don’t need a large lineup of funds because all it does is continue to confuse members when deciding which investment structure to put in place.”

The proportion of members with an excellent or very good understanding of their own investment risk tolerance seems stuck at less than half of survey respondents. In 2010, 45% reported a top-level understanding of their own risk tolerance, versus 46% in 2009, 47% in 2008 and 46% in 2007. Still, the current level of understanding is an improvement over that recorded in 2006

Thirty percent consider themselves conservative, 55% believe they are moderate and 15% are aggressive. Once again, the responses show marked segmentation between gender and age. Women (39%) are by far more likely to see themselves as conservative than men (23%). While pre-retirement members ages 55 to 64 (43%) are more likely to view their approach to risk as conservative, only 22% of younger members see themselves this way. More than half (51%) of those who self-identify as conservative investors define this level of risk tolerance as having no/low risk or being safe investments.

“I think plan sponsors and service providers can all agree that there is always room for improvement in the satisfaction and understanding of group retirement savings plans,” says Karrina Dusablon, director, education services, with Desjardins Financial Security. “As an industry, we need to embrace that individuals are different and that there are differences in understanding and satisfaction between genders, ages and income levels. In order to be effective, we need to use different mediums of communication that are targeted and segmented. At the end of the day, the only way to get people engaged is to show what’s in it for them. Essentially, that’s the bottom line.”

Action Steps

- Survey your own plan member population and segment education to target different attitudes and levels of understanding.
- Before coming up with a communication plan, develop a communications policy that lays out objectives and a commitment to measuring results.
- Model retirement plan education programs on training strategies that work well in other areas of the company.
- Consider the company culture when designing a communications strategy, since what works for one workplace may not work for another.
- While plan sponsors need to help members gain a better understanding of how their plan works and what they need to do, it’s also important to make members have the responsibility to meet you halfway.

Mission & Methodology

For the fifth consecutive year, *Benefits Canada* has undertaken the *Survey of Capital Accumulation Plan Members*. The objective of the survey was to put a face on the more than four million working Canadians who belong to capital accumulation plans (CAPs), exploring their perceptions and expectations, as well as what’s driving them in their decision-making.

To conduct the survey, Ipsos-Reid, on behalf of Rogers Connect Market Research group, fielded an online survey with 1,234 Canadians who participate in the CAPs offered through their employers and 103 who do not participate in their employer-sponsored CAPs. The study was conducted between July 13 and 19, 2010, and has a margin of error of +/-2.8% for CAP participants and +/-9.7% for non-participants, 19 times out of 20.

“It’s nice to get out of the rat race, but you have to learn to get along with less cheese.”

– Gene Perret

SECTION 4:

Your Retirement Plan

Cautious optimism, juxtaposed with serious worry for the future, characterizes the attitudes and beliefs displayed by many plan members who participated in the 2010 *CAP Member Survey*. Although this year’s participants have been in their plans for an average of 9.3 years, their responses show that most still don’t have a clear understanding of what they need to do to ensure a comfortable retirement.

Lots of worry but little action

On one hand, 56% of plan participants view the defined contribution plan and/or group RRSP provided by their employer as their primary retirement savings vehicle. On the other, members expect their employer-sponsored plans to provide only 27.1% of their total retirement income on average. Two-thirds (66%) of plan members say they are worried that when the time comes they will not have saved enough funds in order to retire, and nearly as many (64%) express concern that, despite their best efforts, they will run out of funds during their retirement. Adding to a general sense of foreboding, 77% are worried that items such as medical costs during retirement will be higher than anticipated.

In the midst of all this angst, the majority of members also admit to a limited understanding of their retirement plan, their plan statements and the amount of money they need to contribute to retire with the amount of money they will need down the road. “Some of the trend data showing how well people understand their retirement plan and how much they need to save seem to be getting worse rather than better,” says Marijn Jansen, an investment consultant with Hewitt Associates. “Given all the effort that we as an industry have put into educating plan members and all the bright minds that have come up with a lot of innovations, the statistics shouldn’t be increasing, they should be decreasing by now. So what are we doing now?”



“As plan providers and sponsors, we have to provide better planning tools for women, for men, for younger and for older people to help them be ready for a retirement that can now last as long as 25 years.”

Anna Pagliuca,
Standard Life

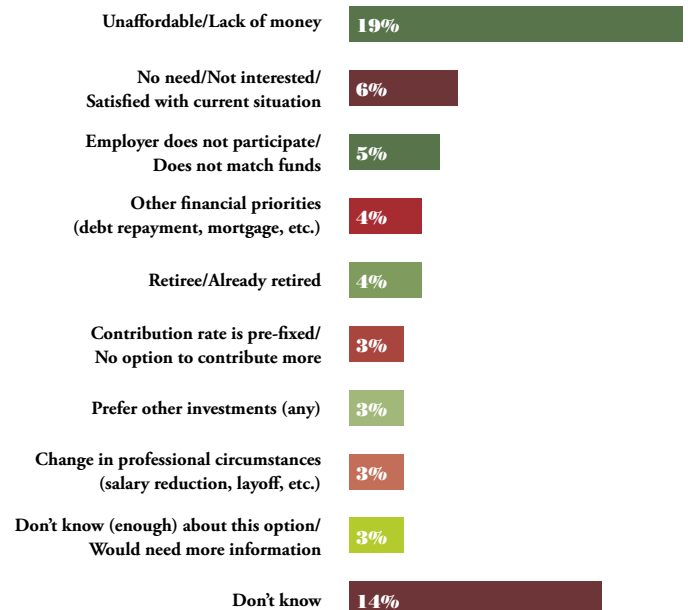
Alas, that is not the case in 2010. When asked how well they understand their employee retirement plan, only 44% said

their understanding is “excellent” (16%) or “very good” (28%). This is better than the 37% with a similar level of understanding in 2006 but down from 47% in 2007. Just over one-third (36%) this year described their understanding as “somewhat good.” An excellent or very good understanding was more common among men (50%) than women (36%). Likewise, older members (47%) were more apt to rate a top level of understanding than the younger set (36%). Participants who had been in their plans longer (six or more years) also reported a higher level of understanding (50%) compared with newer plan members (38%).

Only 36% of plan members believe they have an excellent or very good understanding of how much money they need to contribute to

MAXIMIZING COMPANY MATCH TO RETIREMENT PLAN

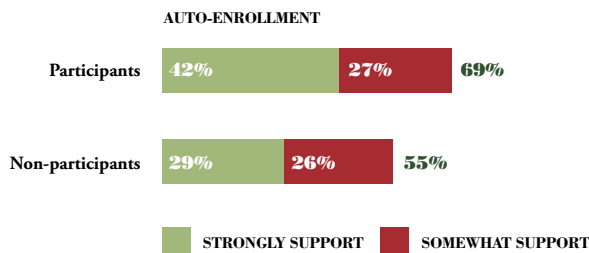
Why have you not maximized your company match to your retirement plan(s)?



Plan members with personal incomes of less than \$60,000 (21%) are **more likely** than those with the highest level of personal income (\$100,000 or more) (9%) to indicate a **lack of money or unaffordable** as the reason they have not maximized their company match.

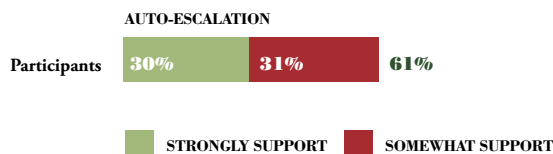
SUPPORT FOR RETIREMENT PLAN CHANGES

Would you support or oppose your employer-sponsored retirement plan implementing the following measures:



Automatic enrollment has majority support among participants and non-participants.

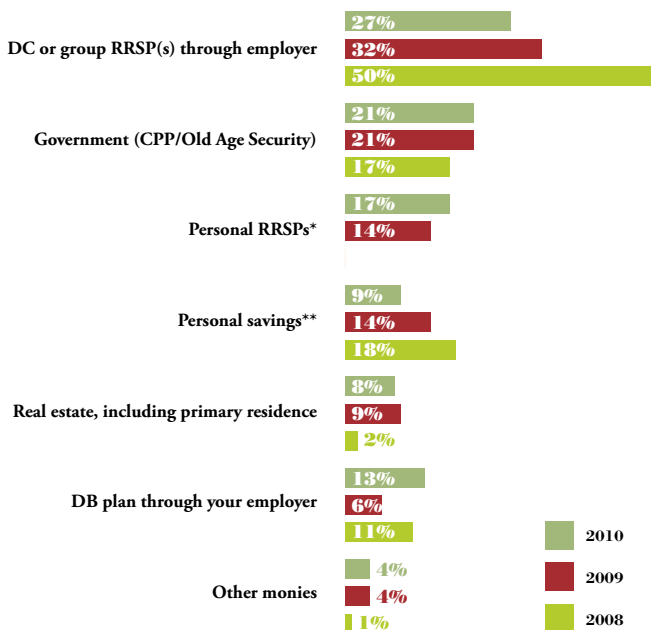
Automatic increase or escalation of contributions policy – the contribution percentage that you and/or your employer contribute increases automatically over a specific timetable, unless a waiver form is signed.



Automatic increases would have the support of just under 2/3s

SOURCES OF RETIREMENT INCOME

What percentage of your total retirement income do you expect to come from...? (average)



* Outside of employer plan

** "Outside of personal RRSPs" specified in 2009 and 2010

their retirement plan to have the amount of money they will need. Compared with 2006 (33%), this year shows slight improvement but a decrease since 2007 (47%). In 2010, 33% described their understanding as "somewhat good." Again, men (41%) are more confident of their understanding than women (31%), as are older members (48%) compared with younger members (34%).

An "excellent" or "very good" understanding of plan statements is claimed by 43% of this year's participants—a noticeable decline from 52% in 2008. Just over one-third (36%) rate their understanding as somewhat good. As remarked on previously, strong gender and age differences are apparent: 52% of men versus 33%

of women and 46% of older plan members compared with 37% of younger report an excellent or very good understanding of their plan statements. Also notable is that 80% of those with an excellent understanding of their plan report having an excellent or very good understanding of their statement.

"Some of these questions and answers are somewhat inconsistent," notes Marc Poupart, general manager, retirement programs, for HBC. "It makes me wonder from a communication point of view if they [members] are really getting the message. They say that they know they are going to be short funds, but then they don't seem to be taking any actions to change that scenario. I guess the solution is more education and more targeted communication. And we also have to continue to emphasize that the plan is just one part of their retirement package."

Jansen agrees that if you want to change the statistics, you need to dig into your membership data and try to see what is going on and what's driving the members. "The solutions aren't limited to communication—the issue also feeds into plan design and into education. But we have to be prepared to accept that there may be a fair group that doesn't want to be engaged at all, and there may be no way that we can change that."

Consistently low levels of understanding may suggest a theory of member disengagement and, despite ongoing efforts to educate and communicate with members, plan sponsors may want to take



"Some of the trend data showing how well people understand their retirement plan and how much they need to save for retirement seem to be getting worse rather than better."

Marijn Jansen,
Hewitt Associates



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Marc Poupart, HBC

93% expect to be *financially independent* and

47% expect to have *some significant discretionary income*

SOURCE: *Replacing Family Income During the Retirement Years: How Are Canadians Doing?*
by S. LaRochelle-Côté, J. Myles and G. Picot

more control of enrollment and member contributions. “I believe the whole report just screams automatic enrollment, automatic escalation of contributions, and dead-simple, self-fulfilling investment options,” says Michael Campbell, vice-president, marketing, group retirement services, Great-West Life. “We are fooling ourselves if we think that by firing a lot of different tools in different mediums over the wall that we are going to change members’ behaviour. You just can’t convince everyone to turn information into action, so I think we have to get it done for them.”

And it seems that lots of members wouldn’t think that’s a bad idea—the survey found that 69% of plan participants and 55% of non-participants would support automatic enrollment in their employer-sponsored retirement plan. Plan members between 35 and 54 (72%) were particularly keen on the idea. Implementation of an automatic escalation of contributions policy received nearly as much support (61%) among plan participants.

Emphasis on enrollment and contributions

Although capitalizing on the company match is considered critical to maximizing retirement savings, the vast majority (83%) of plan members don’t take full advantage of matching contributions from employers. Why not? Well, 14% say they don’t know why. But many members blame financial constraints: 19% say it is because of lack of money, 4% have other financial priorities and 3% faced a salary reduction or layoff. Other reasons for not maximizing the company match include not needing to (6%), the employer doesn’t participate (5%) or the member prefers other investments (3%).

Despite not having a very good understanding of their retirement plans, not increasing the amount they contribute and not taking advantage of employer match, most plan members expect a fairly decent standard of living during retirement. Nearly half (46%) believe that if they are careful with their funds, they should be able to live independently and to pay their bills. Another 35% report they expect to do some travelling or other things they don’t regularly do now

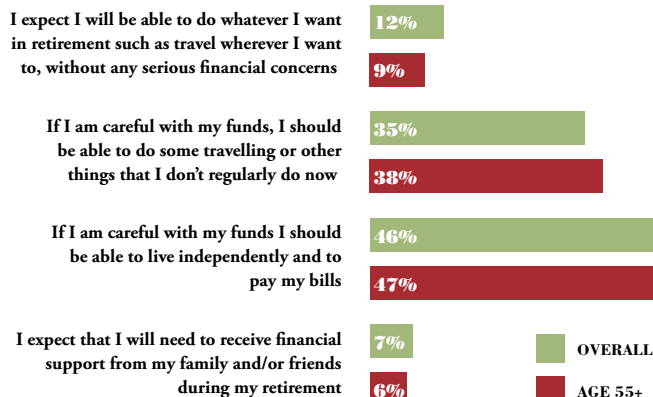


“The whole report just screams automatic enrollment, automatic escalation of contributions and dead-simple, self-fulfilling investment options. We are fooling ourselves if we think that by firing a lot of different tools in different mediums over the wall that we are going to change members’ behaviour.”

Michael Campbell,
Great-West Life

EXPECTED STANDARD OF LIVING IN RETIREMENT

Which of the following best describes your expected standard of living during retirement?



as long as they are careful with their funds. At opposite ends of the spectrum, 12% expect to do whatever they want without any serious financial concerns, while 7% think they will need to receive financial support from family or friends during retirement. Once again, the findings reflect a gender discrepancy, with women appearing more cautious and men more optimistic. Segmented by age, members between 18 to 34 (10%) were more likely than older (6%) counterparts to expect to need financial support from friends or family.

“Women and men definitely hold different opinions on retirement,” says Anna Pagliuca, national director, client relationship and member education, group savings and retirement, with Standard Life. “Women are less confident, are more worried about the future, have less understanding of what they need to save and are less engaged in the plan than men are.” She also points to the stark differences between age groups that show a need to employ a range of medium and strategies to target specific demographics. “As plan providers and sponsors, we have to provide better planning tools for women, for men, for younger and for older people to help them be ready for a retirement that can now last as long as 25 years.”

Action Steps

- Explain to members that the outcome of their retirement savings plan is 90% dependent on what goes into it and only 10% on what investments they choose.
- Focus statements and communication tools on three things: making sure employees contribute and contribute the right amount; making sure they put their money in funds that are right for them; and making sure they get into the plan early since the earlier they enrol and start saving, the better off they will be.
- Facilitate two-way communication by holding educational seminars, workshops and presentations of case studies that encourage member participation.
- Test members’ understanding of the information that is presented to them, to gauge the success of education programs and to address shortcomings.
- Find ways to target different groups such as using social media to reach younger employees and holding lunchroom chats for women.
- To overcome employee apathy to retirement planning, consider policies such as auto-enrollment or auto-escalation.

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**The 5th Annual Survey of
Capital Accumulation
Plan Members**

